Semi-annual Management Report of Fund Performance

June 30, 2007

Galileo Fund

Management Discussion of Fund Performance

INVESTMENT OBJECTIVE AND STRATEGIES

The Fund aims for high long-term total investment returns by investing in mostly common shares of North American companies. The Fund invests primarily in small and medium sized companies with strong growth potential. The portfolio manager uses a bottom-up, growth investment style for the equity portion of the portfolio. The Fund may invest in non-North American stocks, but they are not typically expected to exceed 30% of the net assets of the Fund.

As part of its strategy, the Fund may engage in short selling as a result of special relief it obtained from the Canadian securities regulators and engage in securities lending as permitted by securities regulators.

RISK

During the first six months of 2007, the Fund increased its exposure to foreign equities significantly from 3% to 33.44%. Within the foreign equity holdings, Hong Kong listed securities represent largest weighting with 20.9% of the Fund's net assets invested there.

The Fund decreased its exposure during the first six months of the year to the energy sector and increased the weighting of cash and cash equivalents.

Investors in the Fund should have a long-term investment horizon. As this Fund invests in smaller and medium sized companies, there are general risks such as stock market and smaller company risks, among other risks, which are associated with such investments.

The Fund did not perform any short selling or securities lending in the first six months of 2007.

RESULTS OF OPERATIONS

The performance for the period January 1, 2007 to June 30, 2007 for the Class A and Class F units of the Fund was 31.06% and 31.72% respectively. The Fund performance beat the Fund's benchmark, a blend of 50% the S&P/TSX Small Cap Index and 50% the S&P/TSX Mid Cap Index. The blended benchmark had a return of 10.73%. The S&P/TSX Mid Cap Index had a return of 11.92% and the S&P/TSX Mid Cap Index had a return of 9.54% for the first six months of the year.

Securities that performed particularly well, relative to the Index, in the last six months include NaiKun Wind Energy Group, Molly Mines Ltd., Plutonic Power Corporation, Oilexco Inc. and Benton Resources Corporation. Specific securities in the Fund that underperformed the Index in the last six months include Western Uranium Corporation and Lignol Energy Corporation.

RECENT DEVELOPMENTS

On November 14th, 2006, the 13 provincial and territorial securities commissions of Canada gave final receipt of the Prospectus for the Galileo Funds. Prior to this, Galileo Fund was only open to accredited investors.

The name of the Portfolio Manager of the Fund changed from Galileo Equity Management Inc. to Galileo Funds Inc.

This semi-annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-866-912-2288, by writing to us at Galileo Funds Inc., TD Canada Trust Tower, Suite 4730, 161 Bay Street, PO Box 205, Toronto, ON M5J 2S1, or by visiting our website at www.galileofunds.ca, or SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

RELATED PARTY TRANSACTIONS

Galileo Funds Inc., the Fund's Manager and Trustee, is a wholly owned subsidiary of Galileo Equity Management Inc., which is the Fund's Portfolio Advisor. Galileo Funds Inc. receives management fees based on the average net assets of the Fund. The management fees are used to pay for sales and commissions, the investment management of the Fund and other general administration. For the six month period ended June 30, 2007, the total management fees charged by Galileo Funds Inc. to the Fund was $20,392.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past year. This information is derived from the Fund's audited annual financial statements.

Net Asset Value (NAV) per Unit – Class A

Class A	**6/30/2007**	**12/31/2006**
Net asset value, beginning of period (1)(2)	**$ 10.92**	**$ 12.00**
Increase (decrease) from operations:		
Total revenue	0.07	0.06
Total expenses	(0.17)	(0.02)
Realized gains (losses) for the period	2.91	0.09
Unrealized gains (losses) for the period	(0.23)	0.18
Total increase (decrease) from operations (1)	**2.58**	**0.31**
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	2.00
Return of capital	-	-
Total annual distributions(3)	**-**	**2.00**
Net asset value, end of period	**$ 14.15**	**$ 10.92**

FINANCIAL HIGHLIGHTS (cont'd)

Net Asset Value (NAV) per Unit – Class F

Class F	**6/30/2007**	**12/31/2006**
Net asset value, beginning of period [(1)(2)]	**$ 11.57**	**$ 11.81**
Increase (decrease) from operations:		
Total revenue	0.07	0.37
Total expenses	(0.09)	(0.07)
Realized gains (losses) for the period	1.47	1.23
Unrealized gains (losses) for the period	2.63	(0.45)
Total increase (decrease) from operations [(1)]	**4.08**	**1.08**
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	1.34
Return of capital	-	-
Total annual distributions[(3)]	**-**	**1.34**
Net asset value, end of period	**$ 15.06**	**$ 11.57**

(1) Net Asset Value and distributions are based on actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. The above calculations include combined actual and average data; therefore, the table will not total accordingly.

(2) The Fund was launched in September 2000 with 1 class of units. It was sold via an offering memorandum and was therefore open only to accredited investors. In November 2006, the various provincial securities commissions approved the prospectus of the Fund. At this time, the original class of units became Class F and a 2nd class of units, Class A, was launched. As such, the beginning of year for Class A is November 14th, 2006 and for class F is January 1st, 2006.

(3) Distributions were reinvested in additional units of the Fund.

FINANCIAL HIGHLIGHTS (cont'd)

Ratios and Supplemental Data

Class A	**6/30/2007**	**12/31/2006**
Net assets[(1)]	$ 2,576,359	$ 13
Number of units outstanding[(1)]	182,097	1
Management expense ratio[(2)]	2.48%	1.24%
Management expense ratio before waivers/absorptions	3.86%	4.99%
Portfolio turnover rate[(3)]	232.32%	297.57%
Trading expense ratio[(4)]	4.91%	1.80%

Class F	**6/30/2007**	**12/31/2006**
Net assets[(1)]	$ 1,573,739	$ 1,946,559
Number of units outstanding[(1)]	104,468	168,295
Management expense ratio[(2)]	1.45%	0.59%
Management expense ratio before waivers/absorptions	2.24%	4.31%
Portfolio turnover rate[(3)]	232.32%	297.57%
Trading expense ratio[(4)]	4.91%	1.80%

(1) This information is provided at June 30 or December 31 of the period shown, as applicable.

(2) Management expense ratio for each class of units is based on the total expenses of the Fund, incurred by or allocated to that class of units for the period shown, expressed as an annualized percentage of daily average net assets of that class during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

MANAGEMENT FEES

The Fund pays an annual fee of 1.90% of the net asset value of Class A and 0.90% of the net asset value of Class F plus GST to the Fund Manager in consideration for the provision of management, distribution and Fund advisory services. This management fee is calculated as a percentage of the Fund's net assets per class and is calculated and credited daily. The Fund is required to pay Goods and Services Tax (GST) on the management fee.

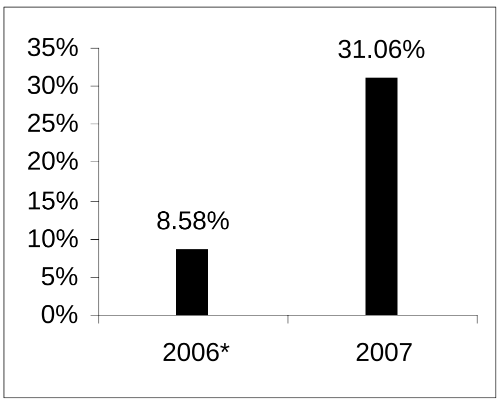
PAST PERFORMANCE

The performance information shown below assumes that all distributions made by the Fund in the period shown were reinvested in additional units of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. It is important to note that the past performance of the Fund does not tell you how the Fund will perform in the future.

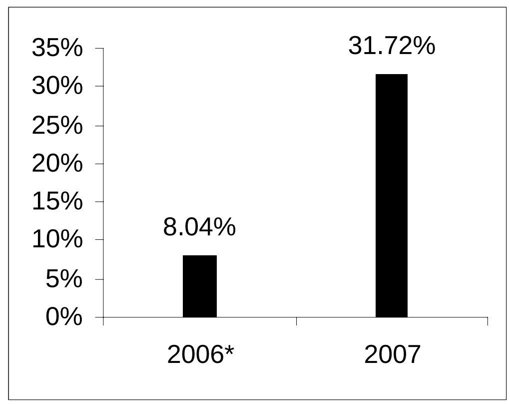
Year-by-year Returns

The following bar chart indicates the Fund's historical annual returns, which will vary from period to period. It shows the percentage change in value of an investment from the first day to the last day of each fiscal year, as applicable.

Class A



Class F



* Return is for a partial year starting November 14th, 2006 (the date the Fund first became eligible for purchase by retail clients).

Annual Compound Returns

The following table shows the Fund's historical average annual compound returns compared with its benchmark, a blend of 50% the S&P/TSX Small Cap Index and 50% the S&P/TSX Small Cap Index for the periods shown ended June 30, 2007. The inception of the Fund was November 14, 2006.

	1-year	Since Inception
Class A	42.31%	42.31%
Class F	42.31%	42.31%
Blended Benchmark	18.41%	18.41%
S&P/TSX Small Cap Index	20.55%	20.55%
S&P/TSX Mid Cap Index	16.27%	16.27%

SUMMARY OF INVESTMENT PORTFOLIO
Portfolio breakdown as at June 30, 2007

Top 25 Positions	% of Net Assets*
NaiKun Wind Energy Group Inc.	5.1%
Cash & cash equivalents	5.0%
Idaho General Mines Inc.	4.0%
Sinofert Holdings Ltd.	3.9%
TimberWest Forest Corp.	3.7%
Neo-Neon Holdings Ltd.	3.4%
Migao Corporation	3.3%
Western Canadian Coal Corp.	3.3%
Aquiline Resources Inc.	3.3%
Gamesa Corp Tecnologica SA Eur	3.3%
International Forest Products Ltd.	3.1%
Entrée Gold Inc.	3.0%
Malaysian Resources Corp.	3.0%
Benton Resources Corp.	2.9%
Guyana Goldfields Inc.	2.9%
Platmin Ltd.	2.8%
Western Uranium Corp.	2.7%
Creststreet Power & Income Fund	2.7%
Xinjiang Tianye Water	2.6%
Platinum Group Metals Ltd.	2.5%
Asian Mineral Resources Ltd.	2.4%
Plutonic Power Corp.	2.3%
Eastern Platinum Ltd.	2.2%
Aixtron AG	2.2%
China Water Affairs Group	2.0%
Aggregate % of top holdings	77.5%

Sector Allocation	% of Net Assets*
Materials	43.7%
Energy	16.3%
Industrials	14.8%
Consumer Staples	8.5%
Utilities	7.0%
Cash & cash equivalents	5.0%
Consumer Discretionary	3.4%
Other net assets	1.3%
Total sector allocation	100.0%

Geographic Allocation	% of Net Assets*
Canada	60.2%
China	20.9%
Cash and cash equivalents	5.0%
United States	4.0%
Spain	3.3%
Malaysia	3.0%
Germany	2.2%
Other net assets	1.4%
Total sector allocation	100.0%

* calculated as a percent of the net assets of the Fund as at June 30, 2007.

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund and updates will be available on a quarterly basis.

A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. Such statements are generally identifiable by the terminology used, such as “plan”, “anticipate”, “believe”, “intent”, “expect”, “estimate” or other similar wording.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

Galileo Funds

Galileo Absolute Return Fund
Galileo Canadian Active/Passive Fund
Galileo Fund
Galileo Global Active/Passive Fund
Galileo High Income Plus Fund
Galileo Money Market Fund
Galileo Small/Mid Cap Fund

Additional information about the Galileo Funds is available in the Funds' Prospectus, Annual Information Form and Annual and Semi Annual Financial Statements.

You can get a copy of any of these documents and other information about the Galileo Funds, such as information circulars and material contracts, are also available on our website at www.galileofunds.ca or at www.sedar.com. Some of this information is available on our website in English only.

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